

**CHEZ HOPE, INC.**

Financial Statements

Year Ended June 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Chez Hope, Inc.  
Franklin, Louisiana

We have audited the accompanying statement of financial position of Chez Hope, Inc. (a non-profit organization) as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Chez Hope, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chez Hope, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, on our consideration of Chez Hope, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Kolder, Champagne, Slaven & Company, LLC**  
Certified Public Accountants

Morgan City, Louisiana  
December 31, 2012

Member of:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Member of:  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## **FINANCIAL STATEMENTS**

CHEZ HOPE, INC.

Statement of Financial Position  
June 30, 2012

ASSETS

Current assets:	
Cash	\$ 26,942
Grants receivable	120,343
Other receivables	2,918
Prepaid expenses	<u>9,879</u>
Total current assets	<u>160,082</u>
Capital assets:	
Nondepreciable	48,750
Depreciable, net of accumulated depreciation	<u>621,269</u>
Total capital assets	<u>670,019</u>
Total assets	<u>\$ 830,101</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Demand note payable	\$ 101,892
Short-term debt	5,975
Accounts payable	18,355
Accrued expenses	1,463
Contracts payable	74,554
Deferred revenue	9,576
Current portion of notes payable	<u>16,876</u>
Total current liabilities	<u>228,691</u>
Long-term liabilities	
Notes payable, net of current portion	<u>289,795</u>
Total liabilities	<u>518,486</u>
Net assets	
Temporarily restricted	670,019
Unrestricted deficit	<u>(358,404)</u>
Total net assets	<u>311,615</u>
Total liabilities and net assets	<u>\$ 830,101</u>

*The accompanying notes are an integral part of the financial statements.*

CHEZ HOPE, INC.  
Statement of Activities  
Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Increases in net assets			
Support			
Federal financial assistance			
Department of Children and Family Services	\$ -	\$ 262,839	\$ 262,839
Louisiana Commission on Law Enforcement -			
VAWA	-	15,367	15,367
VOCA	-	58,153	58,153
Department of Social Services - Emergency Shelter Grant	-	12,832	12,832
Department of Housing and Urban Development	6,140	-	6,140
State financial assistance			
Department of Children and Family Services	-	71,677	71,677
Department of Children and Family Services - BP Oil Spill	-	10,019	10,019
Facility Planning and Control	-	137,100	137,100
Local and private assistance			
United Way	37,839	-	37,839
Department of Children and Family Services - Marriage Licenses	-	13,289	13,289
St. Mary Parish Government	-	22,000	22,000
Louisiana Bar Foundation	-	16,138	16,138
Lafayette Parish School Board	-	181	181
Total support	<u>43,979</u>	<u>619,595</u>	<u>663,574</u>
Revenues			
Batterer fees	50,817	-	50,817
Other	1,859	-	1,859
Fundraising	17,577	-	17,577
Donations	6,597	-	6,597
Gain on asset disposition	1,357	-	1,357
Total revenue	<u>78,207</u>	<u>-</u>	<u>78,207</u>
Total support and revenue	122,186	619,595	741,781
Assets released from restrictions	<u>505,132</u>	<u>(505,132)</u>	<u>-</u>
Change in net assets	<u>627,318</u>	<u>114,463</u>	<u>741,781</u>
Decreases in unrestricted net assets			
Program services	522,929	-	522,929
Supporting services	97,518	-	97,518
Fundraising	3,136	-	3,136
Total decrease in net assets	<u>623,583</u>	<u>-</u>	<u>623,583</u>
Net change in net assets	3,735	114,463	118,198
Net assets, beginning of year	<u>(362,139)</u>	<u>555,556</u>	<u>193,417</u>
Net assets, end of year	<u><u>\$ (358,404)</u></u>	<u><u>\$ 670,019</u></u>	<u><u>\$ 311,615</u></u>

*The accompanying notes are an integral part of the financial statements.*

CHEZ HOPE, INC.

Statement of Functional Expenses  
Year Ended June 30, 2012

	Program Services	Support Services	Fundraising	Total
Automobile	\$ 10,445	\$ 550	\$ -	\$ 10,995
Bank charges	-	269	-	269
Building and auto interest	-	32,543	-	32,543
Children's' program	3,810	-	-	3,810
Contract labor	51,705	-	-	51,705
Depreciation expense	-	41,657	-	41,657
Dues and subscriptions	1,100	395	-	1,495
Fundraising expenses	-	-	3,136	3,136
Insurance	51,336	2,703	-	54,039
Miscellaneous	-	541	-	541
Office supplies and expenses	12,674	668	-	13,342
Penalties	-	5,054	-	5,054
Postage and delivery	2,657	-	-	2,657
Printing and reproduction	5,472	-	-	5,472
Professional fees	-	11,068	-	11,068
Repairs and maintenance	19,242	-	-	19,242
Salaries	278,117	-	-	278,117
Security	407	-	-	407
Shelter supplies	18,803	-	-	18,803
Taxes - payroll	23,145	-	-	23,145
Taxes - property	1,549	-	-	1,549
Telephone	12,053	634	-	12,687
Travel and entertainment	1,942	-	-	1,942
Utilities	27,271	1,436	-	28,707
Victim assistance	1,201	-	-	1,201
	<u>\$ 522,929</u>	<u>\$ 97,518</u>	<u>\$ 3,136</u>	<u>\$ 623,583</u>

*The accompanying notes are an integral part of the financial statements.*

CHEZ HOPE, INC.

Statement of Cash Flows  
Year Ended June 30, 2012

Operating activities	
Revenues collected	\$ 725,707
Payments for program services	(508,394)
Payments for support services	(55,861)
Payments for fundraising	<u>(3,136)</u>
Net cash provided by operating activities	<u>158,316</u>
Capital and related financing activities	
Proceeds from long-term debt	22,629
Payments on long-term debt	(21,464)
Proceeds from short-term debt	18,246
Payments on short-term debt	(18,513)
Proceeds from sale of capital assets	15,054
Acquisition/construction of capital assets	<u>(169,817)</u>
Net cash used by capital and related financing activities	<u>(153,865)</u>
Net change in cash	4,451
Cash, beginning of year	<u>22,491</u>
Cash, end of year	<u>\$ 26,942</u>
Reconciliation of net change in net assets to net cash provided by operating activities	
Net change in net assets	\$ 118,198
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	41,657
Gain on asset disposal	(1,357)
(Increase) decrease in -	
Grants receivable	(82,376)
Prepaid expenses	65
Increase (decrease) in -	
Accounts payable	2,230
Accrued expenses	(4,231)
Contracts payable	74,554
Deferred revenues	<u>9,576</u>
Total adjustments	<u>40,118</u>
Net cash provided by operating activities	<u>\$ 158,316</u>

*The accompanying notes are an integral part of the financial statements.*



## CHEZ HOPE, INC.

### Notes to Financial Statements

#### (1) Nature of Organization and Significant Accounting Policies

##### A. Nature of organization

Chez Hope, Inc. is a non-profit organization that provides a wide range of services to victims of domestic violence. Its core service is providing shelter and support for victims and children. In addition, a 24-hour crisis line, individual assessment, and case management are provided. Chez Hope, Inc. is also actively involved with community education including law enforcement training and support groups. Chez Hope, Inc. coordinates domestic abuse intervention through the court system and provides additional services to child victims of domestic violence.

The accompanying financial statements of Chez Hope, Inc. have been prepared on the accrual basis of accounting.

Chez Hope, Inc. is an exempt organization for Federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code.

##### B. Economic Dependence

Chez Hope, Inc. receives a significant portion of its funding through the State of Louisiana Department of Children and Family Services (formerly Office on Women's Policy). Should the state agency cut its funding or disallow items, Chez Hope, Inc. may be required to reduce its services.

##### C. Significant accounting policies

###### Financial statement presentation

The financial statements are prepared on the accrual basis of accounting. The financial statements are prepared in accordance with *FASB Accounting Standards Codification 958-205, Presentation of Financial Statements*. *FASB Accounting Standards Codification 958-205, Presentation of Financial Statements* states that a complete set of financial statements for a non-profit organization includes (1) a statement of financial position, (2) a statement of activities, (3) a statement of cash flows, and (4) notes to the financial statements. In addition, voluntary health and welfare organizations are required to present a statement of functional expenses in a matrix format that reports expenses by both function and their natural classifications.

In accordance with *FASB Accounting Standards Codification, 958-210, Balance Sheet* a statement of financial position focuses on the organization as a whole and therefore, reports total assets, liabilities, and net assets by class (unrestricted, temporarily restricted, and permanently restricted).

Permanently restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Chez Hope, Inc.

CHEZ HOPE, INC.

Notes to Financial Statements (continued)

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations.

Unrestricted net assets represent those assets which are not subject to donor-imposed stipulations and, therefore, are assets the organization may use at its discretion.

D. Support and expenses

All revenues and support are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

E. Allowance for doubtful accounts

Chez Hope, Inc. considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is provided.

F. Property and equipment

Purchased property and equipment are recorded at cost at the date of acquisition. Property and equipment purchased with grant funds are recorded as temporarily restricted contributions. In the absence of donor stipulations regarding how long the assets must be used, the organization has adopted a policy of implying a time restriction that expires over the useful life of the assets. Chez Hope, Inc. maintains a threshold level of \$500 or more for capitalizing capital assets.

Depreciation is computed by the straight-line method based on the following estimated lives:

	<u>Years</u>
Vehicles	3
Furnishings and equipment	7
Leasehold improvements	10
Buildings	30

## CHEZ HOPE, INC.

### Notes to Financial Statements (continued)

#### G. Compensated absences

Employees of Chez Hope, Inc. earn annual leave in varying amounts depending upon length of service. All vacation time must be used by November 30<sup>th</sup> of each year. Sick leave is earned at the rate of one day a month. Upon termination, accrued unpaid annual leave is paid to the terminated employee. No payment is made for unused sick leave. Vacation leave does not carry over. Therefore, there is no accrual in the financial statements.

#### H. Donated services

Chez Hope, Inc. receives donated services from unpaid volunteers who assist in program services during the year; however, these donated services are not reflected in the statement of activity because the criteria for recognition under *FASB Accounting Codification 958-605, Revenue Recognition* have not been satisfied.

#### I. Cash and cash equivalents

Cash and cash equivalents consist of cash held in checking accounts on deposit in a local bank. These funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2012, all funds on deposit were fully insured by FDIC insurance coverage.

For the purposes of the statement of cash flows, Chez Hope, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### J. Income taxes

Chez Hope, Inc. is recognized by the Internal Revenue Service as a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except to the extent it has unrelated business income. Income from certain activities not directly related to Chez Hope, Inc.'s tax-exempt purpose is subject to taxation. If the Chez Hope, Inc. were to be subject to unrelated business income tax, these taxes would be included in management and general expenses in the accompanying statement of activities.

#### K. Advertising

Advertising costs are expensed as incurred. Advertising expense was \$0 in 2012.

#### (2) Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHEZ HOPE, INC.

Notes to Financial Statements (continued)

(3) Due from Other Agencies

Due from other agencies consisted of the following at June 30, 2012:

Louisiana Commission on Law Enforcement	
CVA	\$ 8,942
VAWA	2,678
Department of Social Services	
Emergency Shelter Grant	6,041
Department of Children and Family Services	36,530
Louisiana Bar Foundation	8,069
Louisiana Office of Facility Planning and Control	<u>58,083</u>
	<u>\$ 120,343</u>

(4) Property and Equipment

Property and equipment consisted of the following at June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 48,750	\$ -	\$ -	\$ 48,750
Construction in progress	8,607	137,100	145,707	-
Capital assets being depreciated				
Buildings and improvements	581,496	-	-	581,496
Office furniture and equipment	81,609	6,288	-	87,897
Vehicles	32,657	26,429	14,942	44,144
Leasehold improvements	<u>71,984</u>	<u>145,707</u>	<u>-</u>	<u>217,691</u>
	825,103	315,524	160,649	979,978
Accumulated depreciation	<u>(269,547)</u>	<u>(41,657)</u>	<u>(1,245)</u>	<u>(309,959)</u>
Property and equipment, net	<u>\$ 555,556</u>	<u>\$ 357,181</u>	<u>\$ 161,894</u>	<u>\$670,019</u>

Depreciation expense totaling \$41,657 was recognized in the statement of activities for the year ended June 30, 2012.

State capital outlay grant

Chez Hope, Inc. was awarded a \$200,000 grant of State General Funds to renovate the Manor House. The funds will be received in the form of a reimbursement grant. As of June 30, 2012, Chez Hope, Inc. has expended \$145,707 of the grant funds.

CHEZ HOPE, INC.

Notes to Financial Statements (continued)

(5) Demand Note Payable

Demand note payable consists of a line of credit payable to Teche Federal Bank in the amount of \$101,892 payable in monthly installments, bearing interest at 5.25%.

(6) Short-Term Debt

Payable to Prime Rate Premium Finance. Payable in monthly installments of \$1,552 bearing interest at 9.30% with final payment on October 2012. Collateralized by unexpired premiums on insurance policies \$ 5,975

(7) Long-Term Debt

Note payable to Teche Federal Bank bearing interest at 5.50% per annum, due in monthly installments of \$2,346, maturing in June 2017, secured by real property \$ 285,677

Note payable to Teche Federal Bank bearing interest at 6% per annum, due in monthly installments of \$438, maturing in January 2017, secured by vehicle 20,994

Total long-term debt 306,671  
Less: current portion 16,876

Long-term debt, net of current portion \$ 289,795

Principal maturities of long-term debt are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 16,876
2014	17,849
2015	18,879
2016	19,968
2017	18,852
2018-2022	93,981
2023-2027	<u>120,266</u>
	<u>\$ 306,671</u>

CHEZ HOPE, INC.

Notes to Financial Statements (continued)

(8) Contingencies

Chez Hope, Inc. receives grants for specific purposes that are subject to review and audit by the agency providing the funding. Such reviews and audits could result in expenses being disallowed under the terms and conditions of the grants. In the opinion of management, such disallowances, if any, would be immaterial.

(9) Subsequent Events

Management has evaluated subsequent events through December 31, 2012, the date which the financial statements were available for issue.

**INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS**

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Chez Hope, Inc.  
Franklin, Louisiana

We have audited the financial statements of Chez Hope, Inc. (a non-profit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

Management of Chez Hope, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Chez Hope, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chez Hope, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chez Hope, Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit results, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Chez Hope, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2012-1 in the accompanying schedule of audit results to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chez Hope, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Chez Hope, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of management's response and corrective action plan for current year findings. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors of Chez Hope, Inc., its management, others within the Organization, and its grantor agencies and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
December 31, 2012

CHEZ HOPE, INC.

Schedule of Audit Results  
Year Ended June 30, 2012

Part 1: Summary of Auditor's Results

*Financial Statements*

- i. An unqualified opinion has been issued on the financial statements of Chez Hope, Inc. as of and for the year ended June 30, 2012.
- ii. One deficiency in internal control over financial reporting was disclosed during the audit of the financial statements. The deficiency was considered to be a material weakness.
- iii. No material instances of noncompliance were noted during the audit of the financial statements.

Part 2: Findings Related to an Audit in Accordance with Government Auditing Standards

2012-1      Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: *Internal Control* is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Chez Hope, Inc.'s internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.

CAUSE: Due to limited personnel performing administrative functions, the same person prepares checks, reconciles bank statements, enters information into the general ledger and prepares journal entries and posts to the general ledger.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: The cost to achieve complete segregation of duties may not be economically feasible.

Part 3: Findings and Questioned Costs Relating to Federal Programs

Chez Hope, Inc. did not meet the requirements to have a single audit in accordance with OMB Circular A-133. Therefore, this section is not applicable.

CHEZ HOPE, INC.

Management's Response and Corrective Action Plan for Current Year Findings  
Year Ended June 30, 2012

2012-1 Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Based on the size of the operation and the cost-benefit of additional personnel, it may not be economically feasible to achieve complete segregation of duties.

MANAGEMENT'S RESPONSE: Chez Hope, Inc.'s board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregation of duties would exceed its benefits. However, management has worked to segregate duties and functions as much as possible without exposing sensitive information.

CHEZ HOPE, INC.

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012

Internal Control –

2011-1–Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: The cost to achieve complete segregation of duties may not be economically feasible.

STATUS: The conditions giving rise to this finding still remain as of year ended June 30, 2012. Therefore, this finding will be reported in year ended June 30, 2012 as item 2012-1.

Compliance –

2011-2–Failure to Timely File Audit Report

CONDITION: Audit report not submitted to the Legislative Auditor within the statutorily required time frame.

RECOMMENDATION: Management should make every effort to ensure that its financial audit is completed and the resulting report submitted to the Legislative Auditor within the statutorily required time frame.

STATUS: The management of Chez Hope, Inc. is aware of the statutory requirements regarding filing of its audit report. Management believes that the late filing of its 2011 audit report was the result of an isolated incident that management is hopeful will not recur. This compliance finding was only applicable to the year ended June 30, 2011 and is considered resolved.

OMB A-133 –

There were no findings previously reported under this section.